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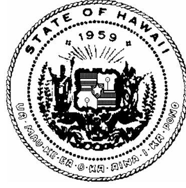

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February 29, 2012

TO: The Honorable David Y. Ige, Chair
Senate Committee on Ways and Means

FROM: Patricia McManaman, Director

SUBJECT: **S.B. 2093, S.D.1 - RELATING TO HEALTH**

Hearing: Wednesday, February 29, 2012; 9:15 a.m.
Conference Room 211, State Capitol

PURPOSE: The purpose of the bill is to provide increased Medicaid reimbursements to acute care hospitals and long-term care facilities for the services they provide to Medicaid patients who have been treated and who have recovered sufficiently so that they may be transferred to long-term care, but for whom long-term care is not available; and appropriate funds for the increased Medicaid reimbursements.

DEPARTMENT'S POSITION: The Department of Human Services (DHS) strongly opposes this bill as it would result in a substantial increase in expenditures and result in paying for services not provided.

Paying acute care hospital inpatient rates for stable individuals requiring nursing facility level of care would be seen as an overpayment by the Centers for Medicare and Medicaid Services (CMS) and therefore, if paid, would need to be made with state-only funds. In FY 2008, there were 17,000 waitlisted days, however, since the implementation of QUEST Expanded Access in 2009, the number of waitlist days has significantly decreased. In FY 2010, there were 15,200

waitlist days (11% reduction compared to 2008); and in CY2011 there were 10,100 waitlist days (41% reduction compared to 2008).

Assuming an estimated $675 per day difference between the average hospital acute care rate and the average hospital waitlisted rate, the additional cost of paying acute care rates for waitlisted individuals is approximately $6 million, far less than the reported $75 million. DHS provides hospitals annual supplements totaling nearly $35 million.

Medicaid already reimburses nursing facilities on an acuity basis. Those facilities that care for more complex patients receive a higher reimbursement. The acuity determination methodology is based on data reported by nursing facilities to the Centers for Medicare & Medicaid Services (CMS) and utilizes a CMS adopted methodology for calculating acuity. DHS is willing to work with the long term care facilities to review the current methodology.

The definition in the bill of "medically-complex" would result in essentially every patient who is discharged from a hospital to a nursing facility as being considered medically-complex. A patient would only need to have two chronic conditions for which they are taking medications to meet the definition under this bill.

Currently, subacute rates are available for the care provided to individuals with tracheotomies and requiring ventilation. Again, DHS would be paying for subacute level of care when only nursing facility level of care is provided and resulting in the disallowance of federal match dollars for those expenses.

With a difference between nursing facility level of care rates and subacute level of care rates of approximately $300, this provision of the bill would be expected to cost additional tens of millions.

Thank you for the opportunity to testify on this bill.